

Budgeting

How Big is Your Paycheck?

You were successful in getting the job, and you'll have a paycheck coming to you. That's great news! Now you need to know "how much will I get?" and "how much will I be able to buy with it?"

It is not always easy to tell each worker to expect an exact amount of money in his or her paycheck. For example, if you were hired for a flat amount of money paid for work performed on an hourly or daily basis, you receive a **wage**. Employees working for wages may receive varying amounts of pay, making it difficult for them to budget their incomes. If you receive your money on a weekly, monthly, or yearly basis, you receive a **salary**. Salaried workers can anticipate how much they will be paid, making it easier for them to budget. Both wages and salaries can also be earned as tips, commissions, or piece rates.

The total amount of money you earn is called **gross earnings**. The amount you receive after deductions is called **net earnings**. **Deductions** are amounts of money the employer automatically takes out of your gross earnings. The deductions include: Social Security, income taxes, and other agreed-upon expenses. You should also determine whether your earnings will include uniforms, meals, company housing, business expenses, or transportation.

There may be other types of payments from your employer that should be considered when you make a decision on a job offer. Money "in hand" should not be the only measure of financial rewards. You may also receive **fringe benefits**. Some of the fringe benefits employees often receive are retirement plans, health and life insurance, vacations, holidays, Worker's Compensation, sick leave, profit sharing, and unemployment compensation.



Create a Budget for Yourself

Before you make a final commitment on a job offer, be sure that you can support yourself (and anyone else dependent on your income) on the salary the prospective employer is offering you.

Budget Formula

1. Figure your income. How much will you bring home each pay period after taxes and other deductions? Be sure to include supplementary income from part-time jobs, etc.

2. Figure your expenses. First, decide what costs you must cover: Rent, utilities, loans, insurance premiums, property taxes, etc., are generally fixed expenses. On items that are only paid annually or semi-annually, divide the total payment by the number of pay periods to determine how much you need to save out of each paycheck. Finally, calculate your day-to-day expenses.

3. Subtract expenses from income. Does your income cover all of your expenses? If not, you must either increase your income or reduce expenses. Start with non-essential items. You may need to reduce fixed items by moving to less expensive quarters or giving up an expensive automobile.

4. Set up a budget. You can use the Monthly Budget Plan on page 92 to help set up your budget.



Remember

- ★ Base your spending plan on realistic estimates of your own income and needs.
- ★ Put some of your take-home pay aside to cover emergencies and unexpected expenses.
- ★ Keep records of what you earn and spend.
- ★ Periodically review and revise your budget plan to fit changing needs.

The deductions from your paycheck make a great difference in the amount you have to spend. This sample pay stub shows the deductions from an employee who earns \$22 per hour and gets paid twice a month.

Sample Paycheck Stub

Check Number		Period Ended	Department	Employee Name		SSN
060143		12/24/2008	EIS/LMDA	Michael Hasbrouck		217-04-1966
Standard Rate	Total Hours	Gross Taxable Pay	Total Deductions		YTD Gross	Net Pay
22.00	80	1,760.00	594.48		42,240	1,165.52
EARNINGS				DEDUCTIONS		
Earnings Type	Hours/Unit	Amount	State Exempt	Taxes/ Deductions	Current	YTD
Regular	80.0	1,760.00	MD2	FICA	134.64	3,231.36
				Federal Tax	198.00	4,752.00
				VA Tax	84.48	2,027.52
				OASDI	107.36	2,576.64
				U.S. Bonds	50.00	1,200.00
				Parking	20.00	480.00
Leave as of: 12/09/2008			Beginning Balance	Earned	Used	End Balance
Annual			402.0	9.0	0.0	411.0
Sick Personal			277.0	5.0	0.0	282.0
Overtime			0.0	0.0	0.0	0.0
Compensatory			44.0	3.0	7.0	40.0

Monthly Budget Plan

INCOME	
Monthly Earnings (gross)	\$
Payroll Deductions	-\$
Take-Home Pay (net)	\$
EXPENSES	
Housing	\$
Rent/mortgage	\$
Utilities	\$
Phone (Incl. Cell Phone)	\$
Cable and Internet Services	\$
Other	\$
Food (includes non-food items like shampoo, detergent, etc.)	\$
Transportation	\$
Car	\$
Insurance	\$
Licenses, personal property taxes	\$
Public Transportation	\$
Other	\$
Health Care	\$
Doctor bills	\$
Prescriptions not covered by employee benefits	\$
Other	\$
Savings (education, trips, emergencies, etc.)	\$
Entertainment	\$
Hobbies (music, books, etc.)	\$
Sports	\$
Restaurants	\$
Other	\$
TOTAL EXPENSES	-\$
YOUR BALANCE	\$

Notes



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